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Local Aid Spending in Massachusetts

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Overview

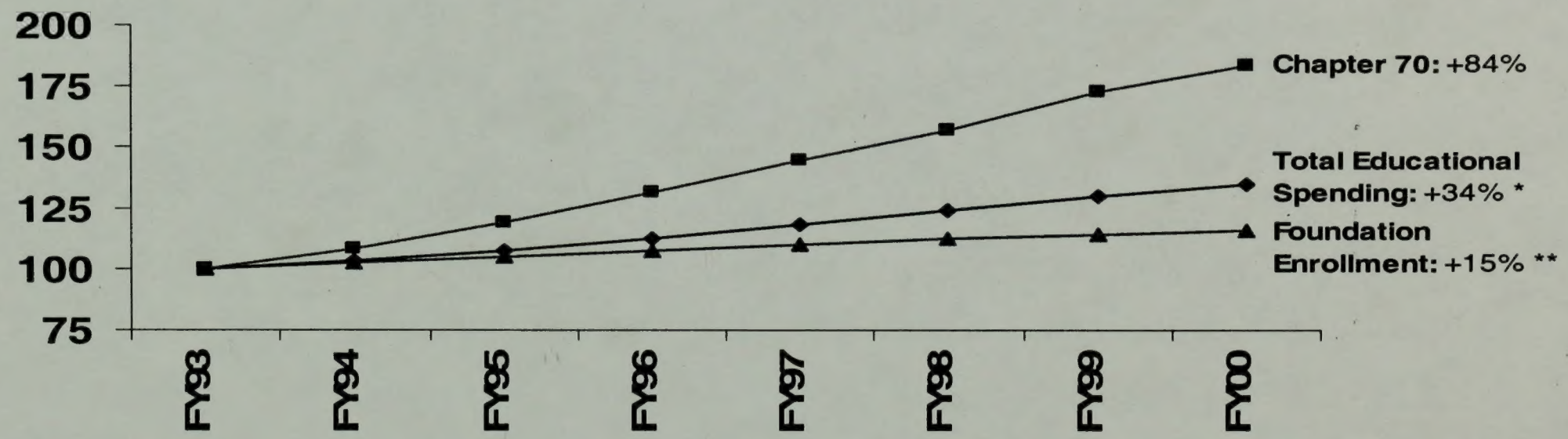
- Since the Enactment of Education Reform in 1993, Massachusetts aid to localities for Pre-K through Grade 12 Education has far outpaced enrollment growth and inflation put together, and has also exceeded growth in SPED.
- Increases in state spending comprise the vast majority of the total increase in education spending.
- Massachusetts as a whole spends more per pupil on education than the national average, even adjusted for regional cost differences, and more than has been required by the Education Reform Act.
- Education spending represents a large and growing portion of the Massachusetts state budget, increasing from 11% in 1991 to 17% in 2000.
- Massachusetts student teacher ratios are among the lowest in the Nation, 15% below the national average.
- Total aid to localities is now at an all-time high, 16% above its previous peak in 1989 after adjusting for inflation.
- Local reserves have increased substantially since 1992 and are now the highest they have been in recent history.

Fact No. 1: Growth in Chapter 70 funding has far outpaced increases in enrollment.

Chapter 70 Aid increased by 84% in real terms between 1993 and 2000 while foundation enrollment increased by only 15%. Total educational spending increased by 34%.

Comparison of Pre-K Through Grade 12 Education Components

(Adjusted for Inflation, Indexed FY93 = 100)



Source: MA DOE, US BEA State and Local Deflator

* Total Education Spending for FY00 is based on the amount budgeted by municipalities.

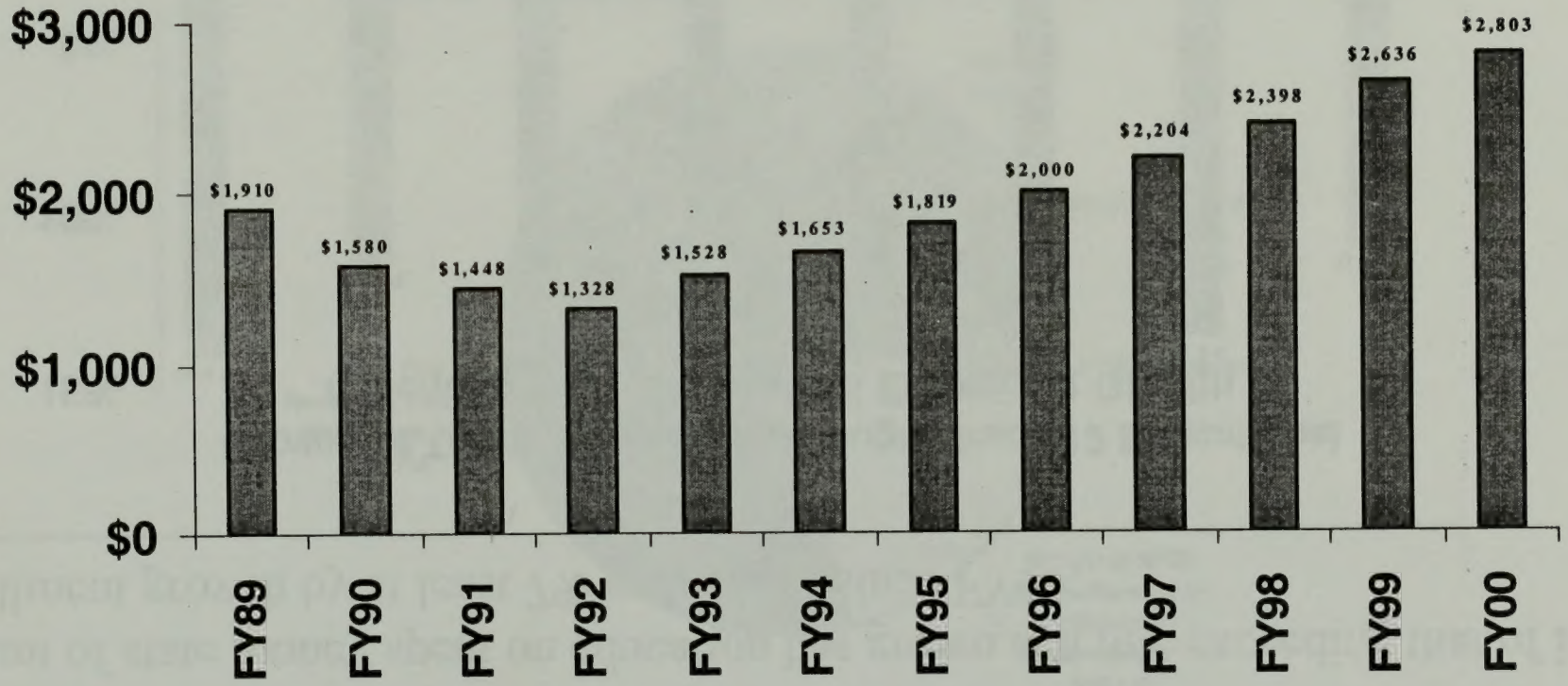
** In this graph, FY00 reflects enrollment for the 1999-2000 school year. Chapter 70 funding is based on foundation enrollment of the previous year.

Fact No. 2: Chapter 70 Aid increases have more than made up for the cutbacks from the 1989 fiscal crisis.

While real Chapter 70 spending decreased by 29% from 1989 to 1992, since 1996 Chapter 70 Aid has exceeded the 1989 peak level in inflation-adjusted dollars. Chapter 70 spending has grown by 109% since 1992.

Total Chapter 70 Aid

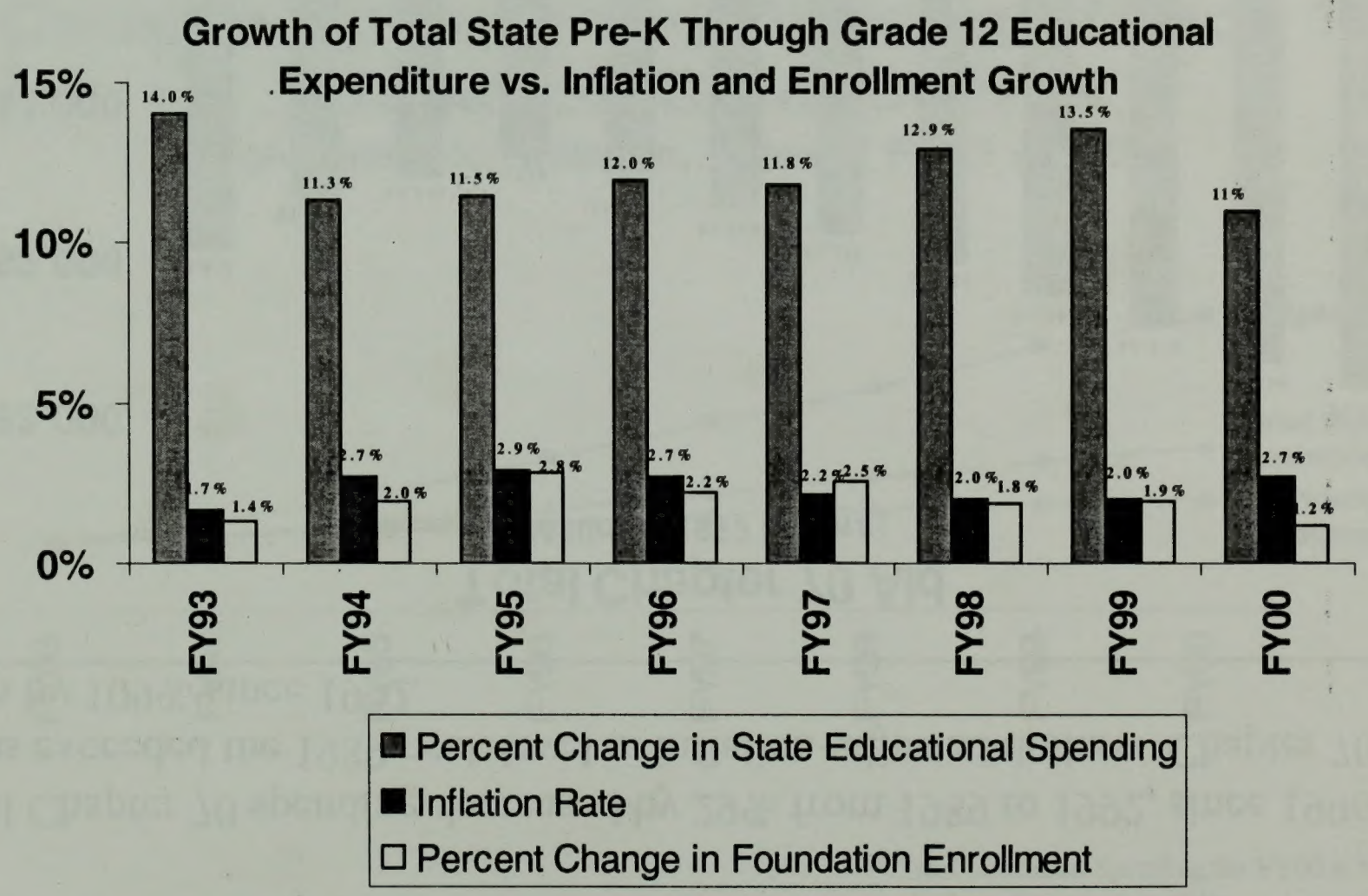
(Millions, 1999 Dollars)



Source: Cherry Sheet, US BEA State and Local Deflator

Fact No.3: State spending on Education has consistently outpaced inflation and enrollment growth.

The amount of state money spent on education has grown at a rate exceeding that of inflation plus enrollment growth by at least 7% every year since FY93.

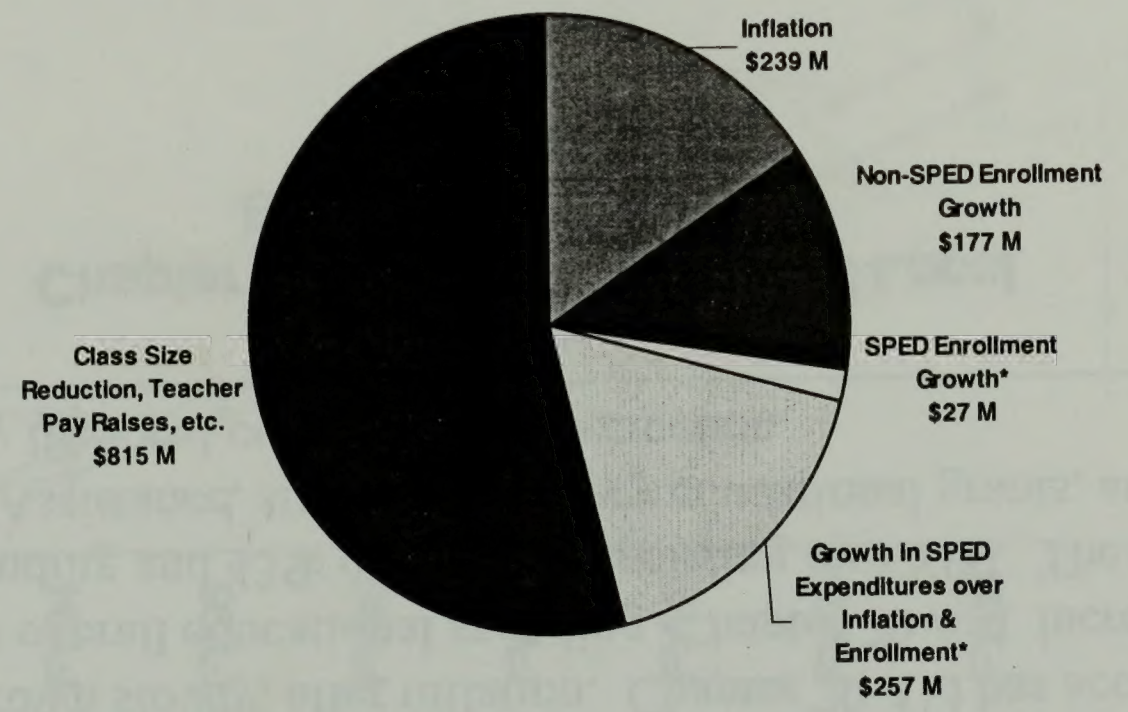


Source: FAD, US BEA State and Local Deflator, MA DOE

Fact No. 4: Increases in Chapter 70 have well exceeded the growth in Special Education expenditure, inflation, and enrollment growth combined.

SPED expenditures have grown much faster than inflation and enrollment. Even assuming that all of this extra growth was financed by Chapter 70, and also after accounting for enrollment growth and inflation, much of the increase in Chapter 70 aid has still been available for class size reduction, teacher pay raises in excess of inflation, and other educational uses. This holds true when using FY93 as one's base year, or, to a lesser extent, FY89. There is, however, considerable variation across districts.

Chapter 70 Increase FY93-FY00: $1.515 Billion



Source: MA DOE, US BEA State & Local Deflator

* Extrapolated from FY93-98

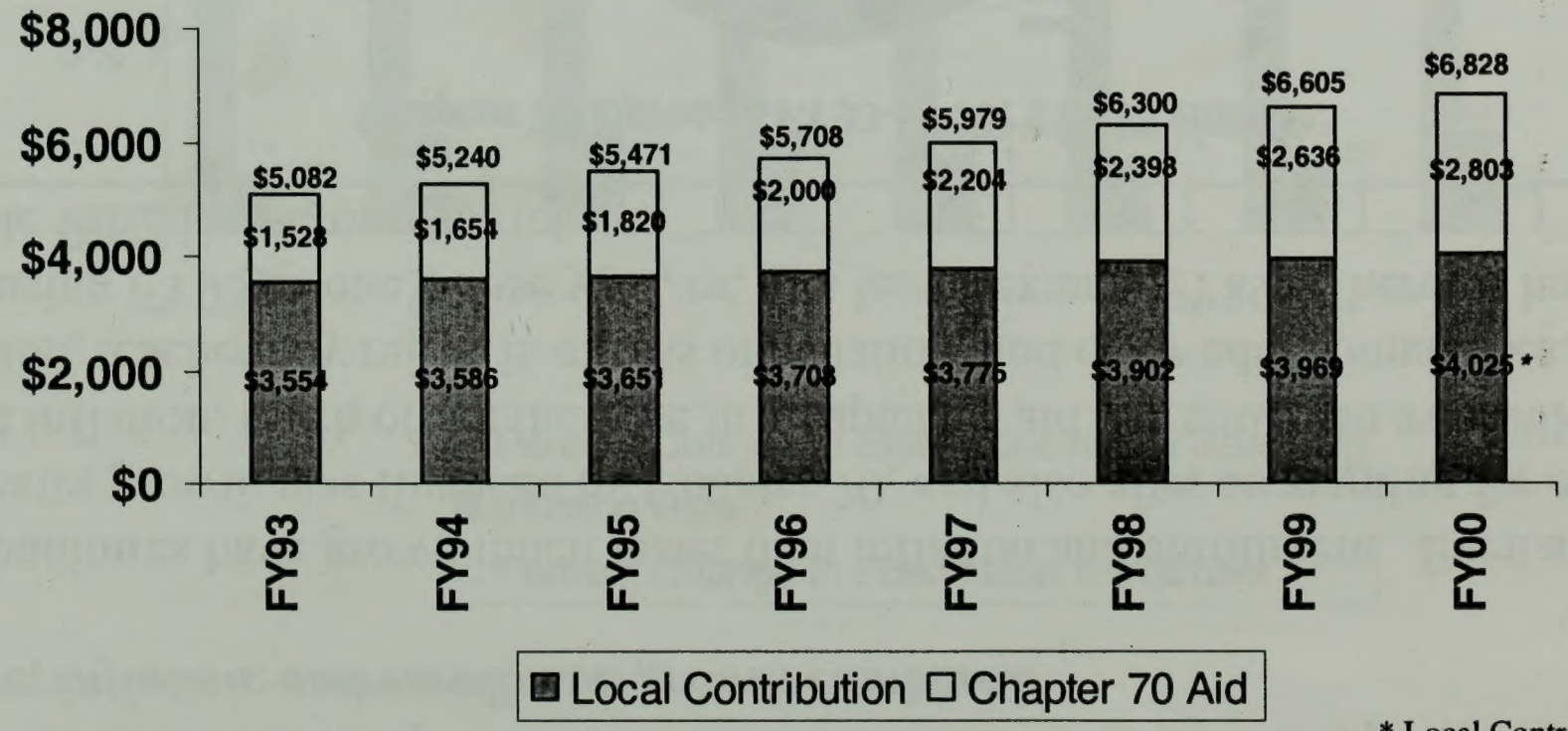
Note: The share of Chapter 70 increase absorbed by growth in SPED expenditure is 21%. This figure includes SPED's share of the Chapter 70 increases that went to inflation and enrollment growth. Other groups attribute a larger share of Chapter 70 growth to SPED increases because they implicitly assume that <u>all</u> increases in SPED -- including both inflation and enrollment growth -- are paid for by Chapter 70, and <u>none</u> come out of local funds. By contrast, the calculations here assume that increases due to inflation and enrollment growth are shared by the locality and the state, as is done with regular education; in this calculation, <u>all</u> of the extra SPED expenditure growth over inflation and enrollment growth is assumed to come out of state aid.

Fact No. 5: The local contribution to educational spending has remained relatively constant since 1993.

Local contribution has grown slowly, after inflation. Chapter 70 Aid has accounted for the vast majority of the growth in overall educational spending. Chapter 70 Aid increased from 30% to 41% of actual educational spending and 43% of required spending by FY00. These percentages do not include School Building Assistance, state discretionary educational grants, and non-earmarked local aid that has helped defray the local contribution to education.

Chapter 70 Aid Relative to Total Local Educational Spending

(Millions, 1999 Dollars)



Source: MA DOE, US BEA State and Local Deflator

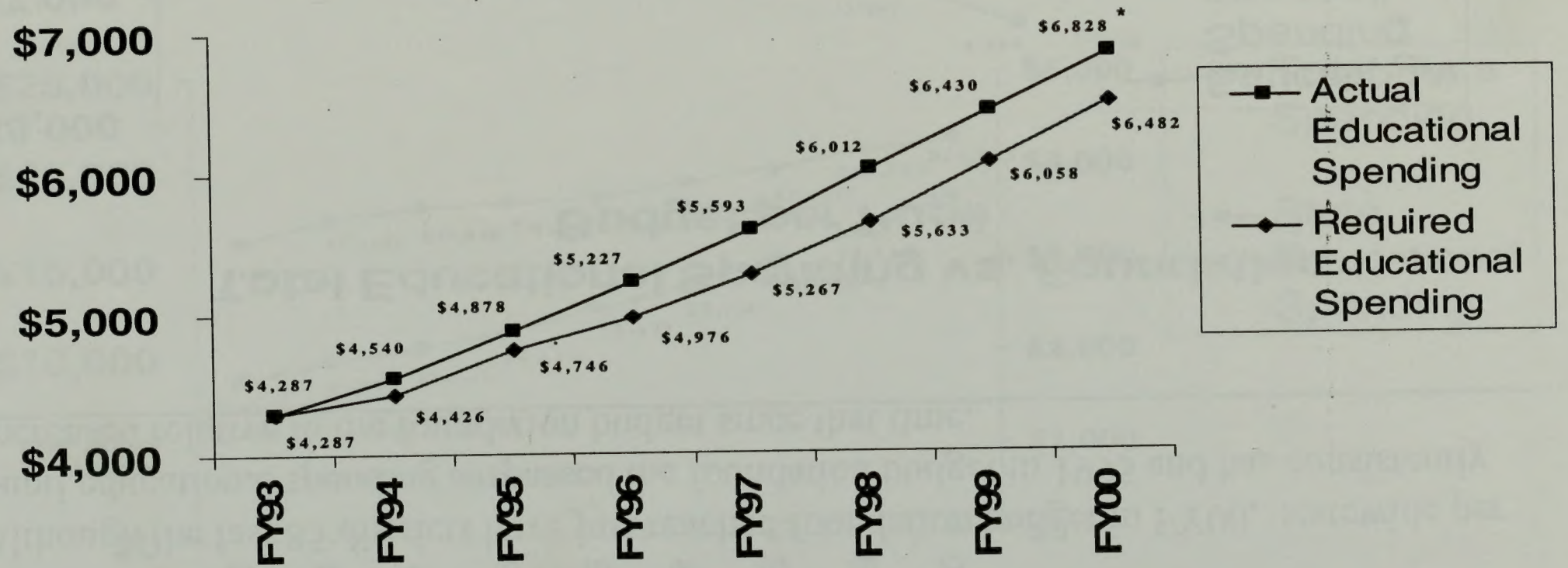
* Local Contribution for FY00 is based on the amount budgeted by municipalities.

Fact No. 6: Total educational spending has increased more rapidly than was required by Education Reform.

The gap between total educational spending and required educational spending has increased over time. Between 1993 and 2000, actual educational spending rose at a faster rate than did the required amount (59% increase versus 51% increase).

Required vs. Actual Educational Spending

(Millions)



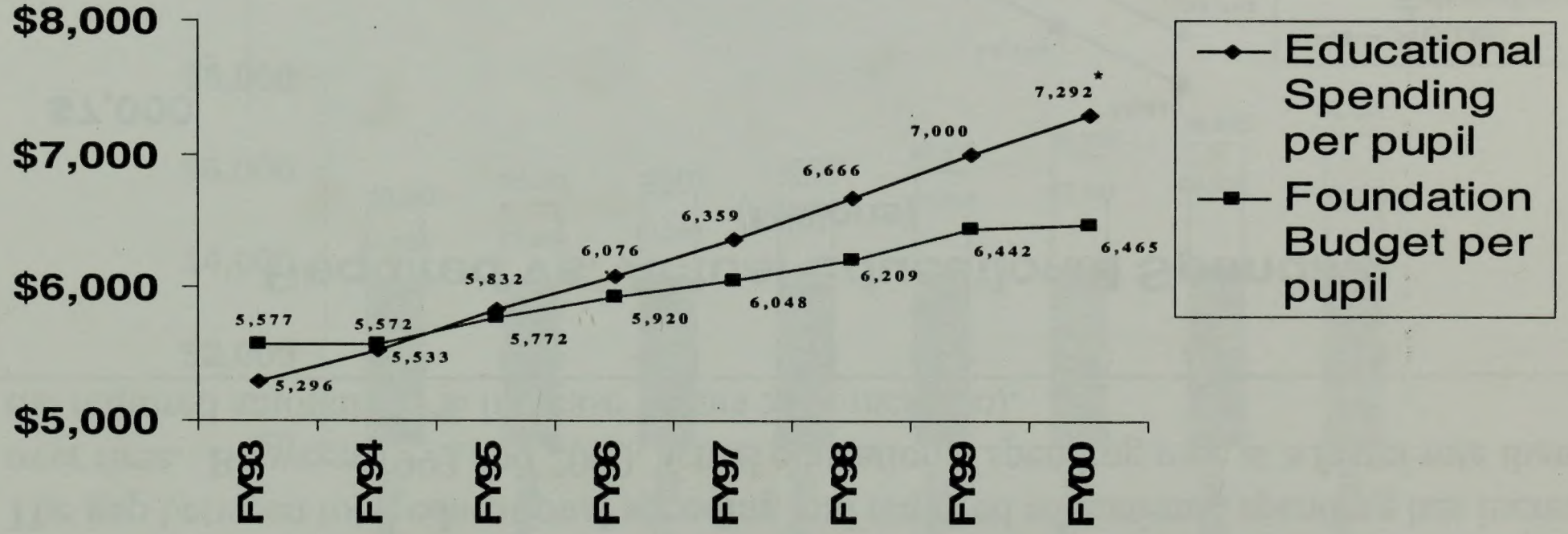
Source: MA DOE

* Actual Education Spending for FY00 is based on the amount budgeted by municipalities.

Fact No. 7: All districts now provide at least foundation spending per pupil and many far surpass that amount.

Although the last 85 districts have just reached foundation budget in FY00, statewide per pupil educational spending surpassed the foundation budget in 1995 and has consistently increased relative to the foundation budget since that time.

Total Educational Spending vs. Foundation Budget per Pupil



Source: MA DOE

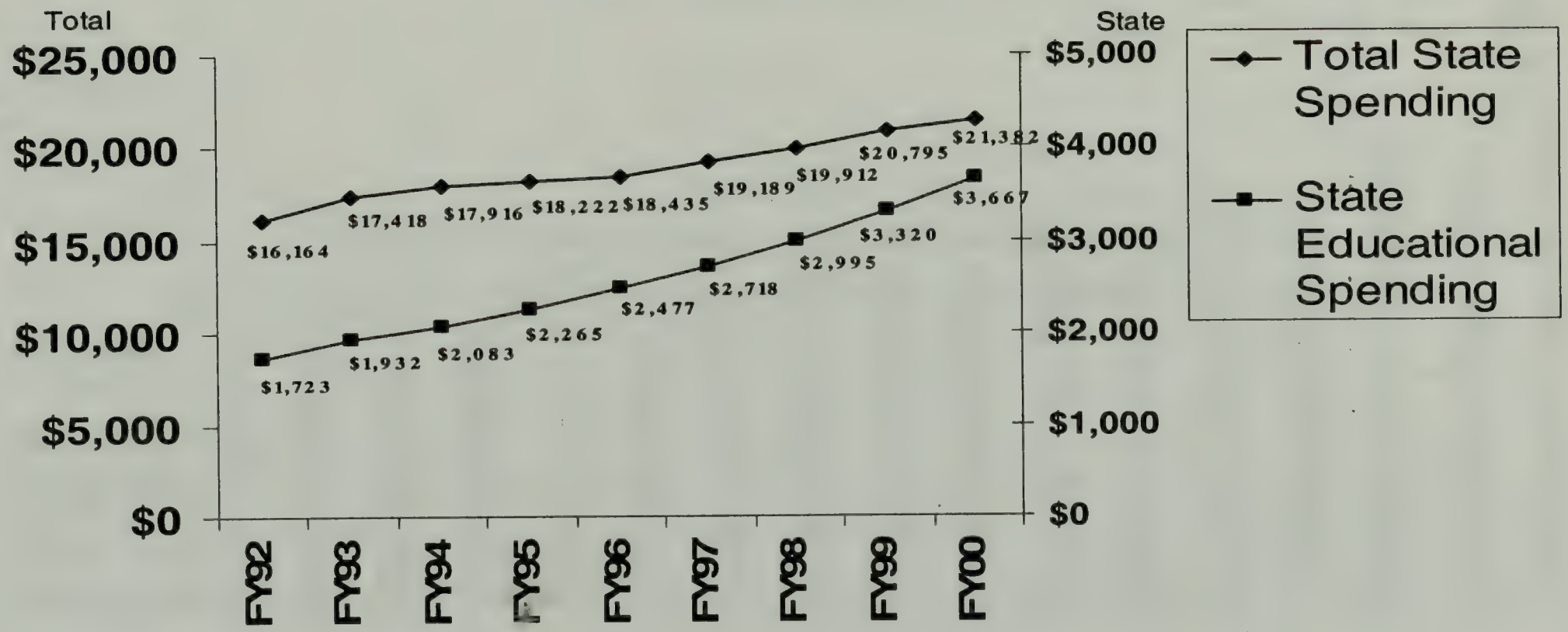
* Total Education Spending per pupil for FY00 is based on the amount budgeted by municipalities.

Fact No. 8: State Educational Expenditure has increased more rapidly than the rising state budget.

The share of the Commonwealth's Budget dedicated to Pre-K through Grade 12 education has increased from 11% in 1992 to 17% in 2000.

Massachusetts State Spending on Education Relative to Total State Spending

(Millions, 1999 Dollars)



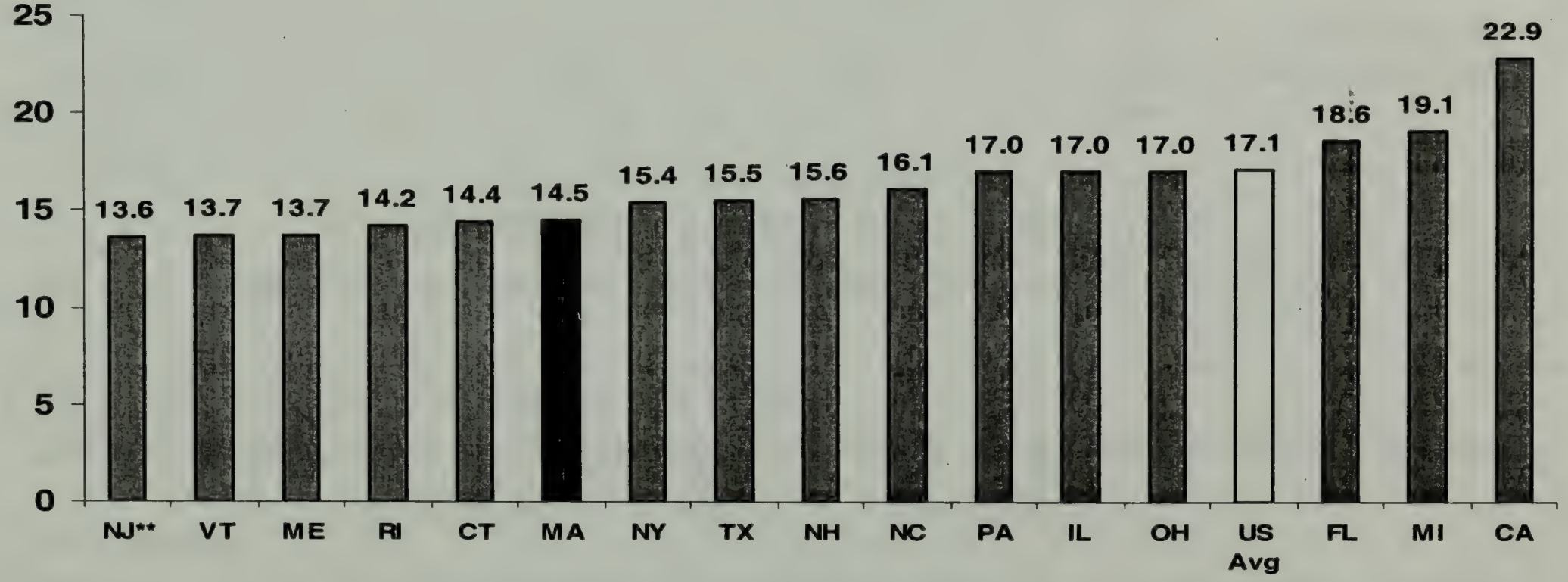
Source: FAD, US BEA State and Local Deflator

Fact No. 9: Massachusetts' student teacher ratio is well below the average for the nation.

Massachusetts' student teacher ratio is the 6th lowest in the United States according to 1996 United States Department of Education Data. Another survey found 82% of Massachusetts fourth graders and 76% of Massachusetts eighth graders were in classes of 25 or fewer students in 1998.

Student to Teacher Ratios Compared to NE Region and Top 10 Industrial States

(1996 Data) *



Source: US DOE

* Most recent published national data

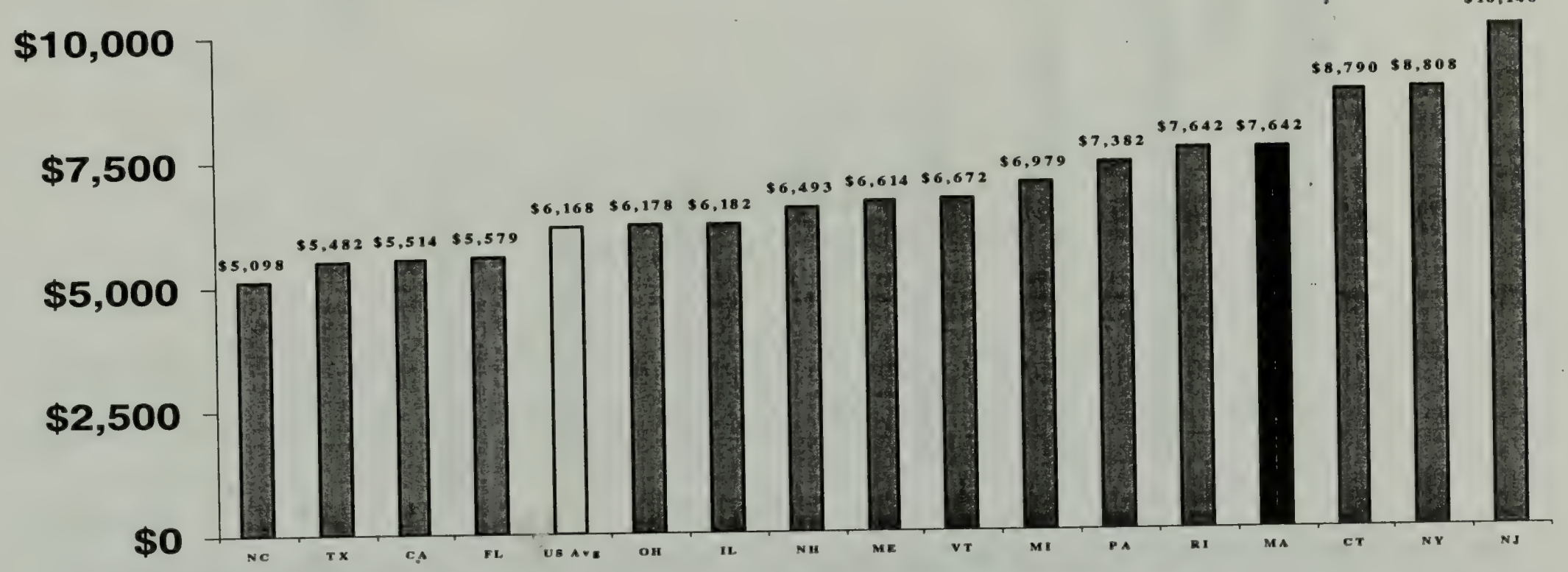
** Data imputed by National Center for Education Statistics based on previous year's data.

Fact No. 10: Massachusetts' per pupil spending is well above the average for the nation.

Massachusetts' per pupil spending is ranked 4th highest of the New England and Top 10 Industrial States (5th highest in the nation). While some of the state's high ranking is due to Massachusetts' high cost of living, this also holds for other states in the region. The Commonwealth spends more than the national average even after adjusting for regional cost differences.

Per Pupil Spending Compared to NE Region and Top 10 Industrial States

(1998 Data)



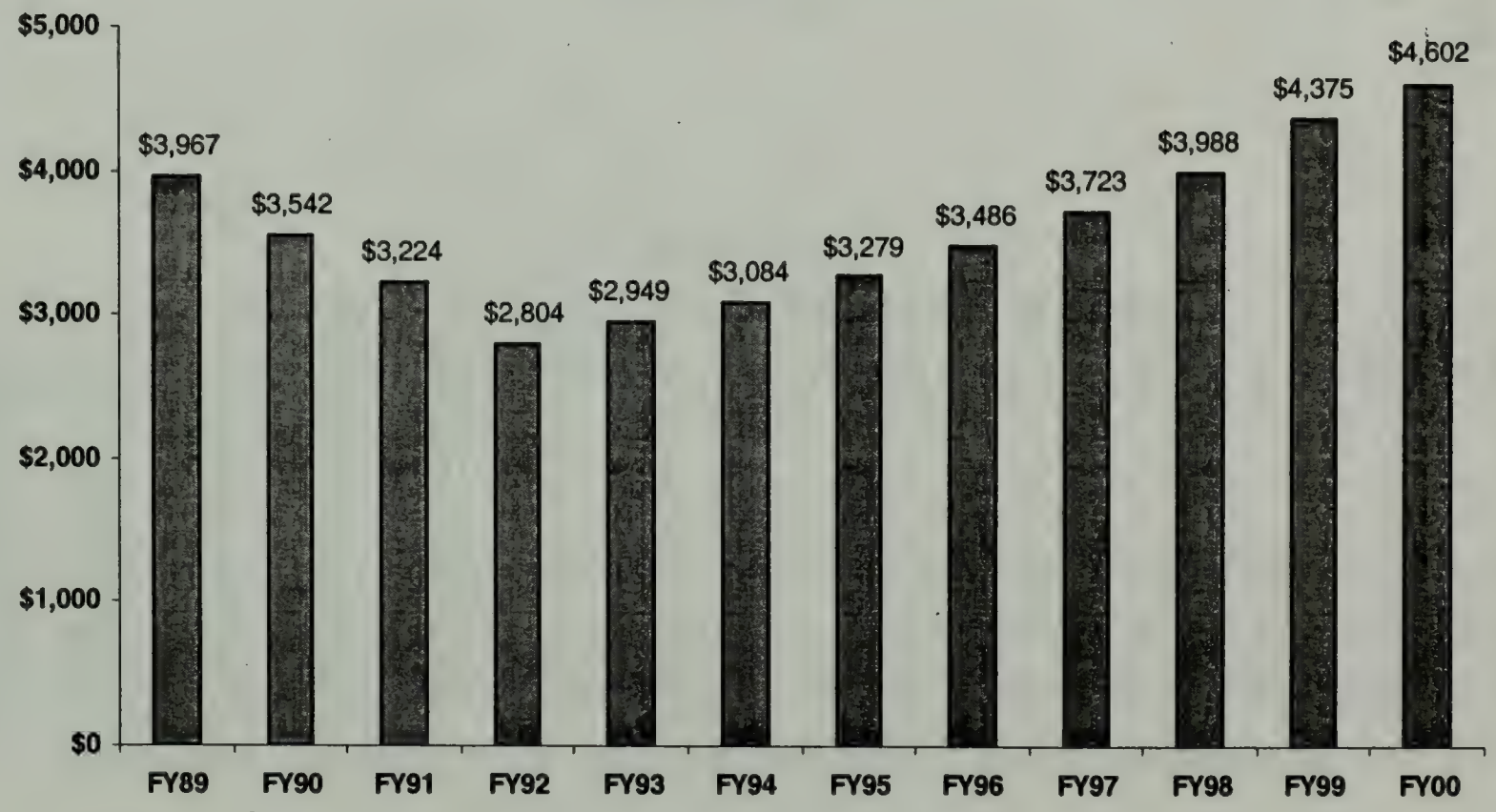
Source: US DOE

Fact No. 11: Total Cherry Sheet spending has risen above its pre-crisis level, adjusted for inflation.

Cherry sheet spending decreased between 1989 and 1992. Since then, however, real cherry sheet spending has risen 16% above the 1989 level of spending.

Cherry Sheet Spending

(Millions, 1999 Dollars)



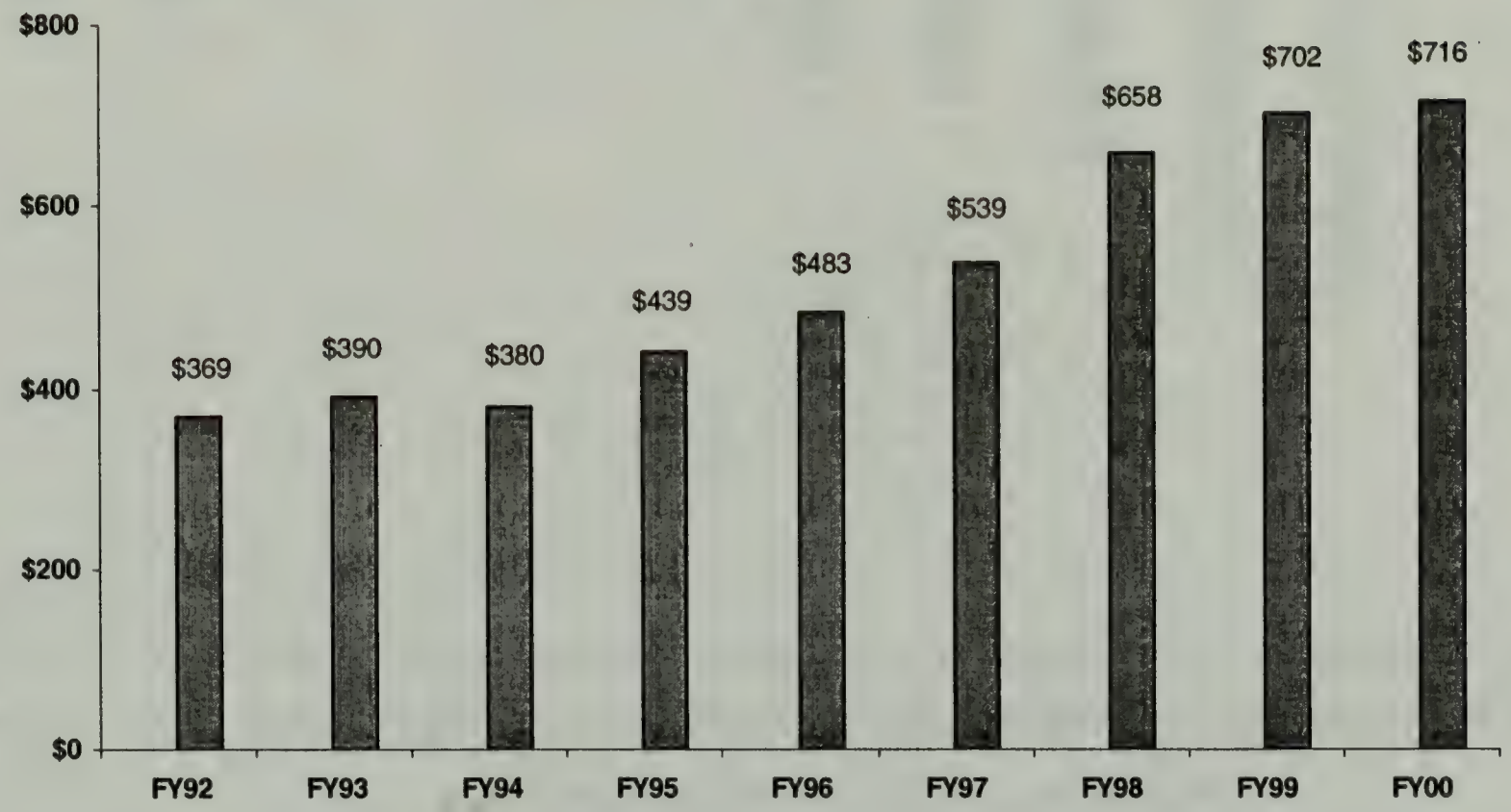
Source: Cherry Sheet, US BEA State and Local Deflator

Fact No. 12: Chapter 70 is not the only source of local aid that is increasing.

Lottery Aid spending has nearly doubled since 1992 after adjusting for inflation, and the cap on lottery distributions has been fully phased out.

Lottery Aid Spending

(Millions, 1999 Dollars)

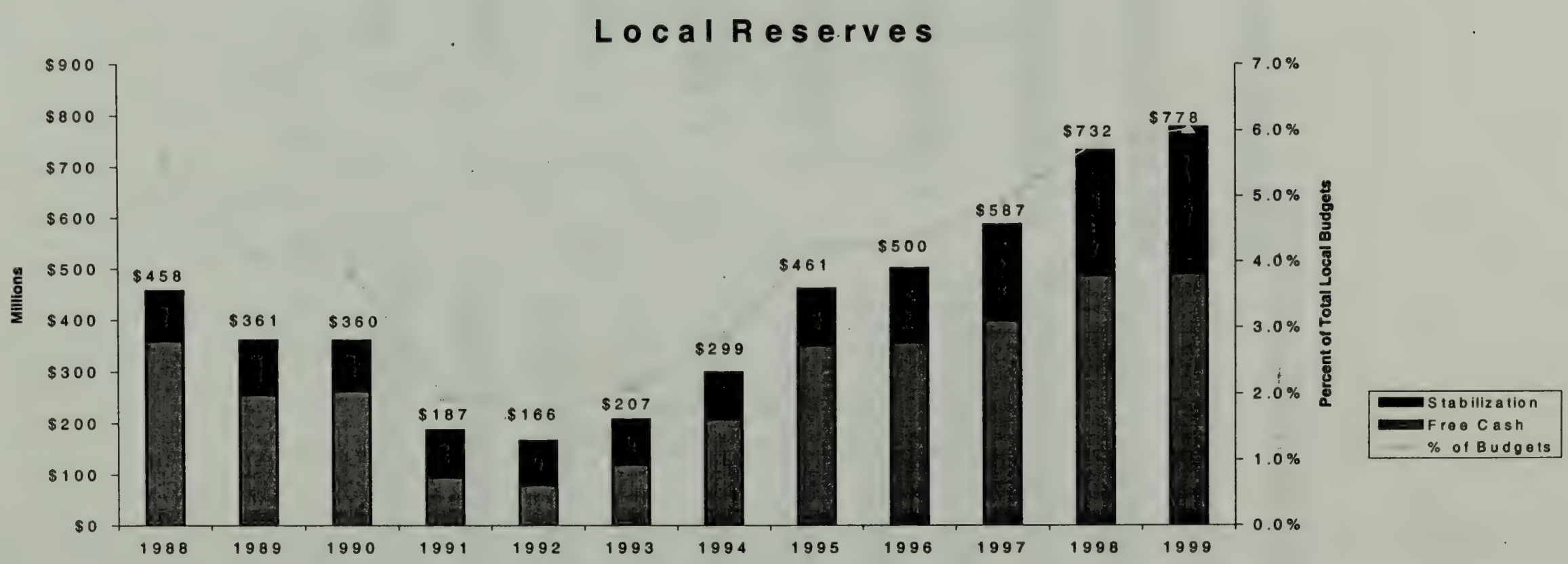


Source: Cherry Sheet, US BEA State and Local Deflator

The General Appropriations Act for FY2000 appropriates $670 million for lottery distribution. The $716 million estimate includes a projected surplus of $46 million to be distributed to cities and towns.

Fact No. 13: Localities have accumulated sizeable reserves to handle economic downturns.

Local reserves are at their highest level in recent history, both in absolute dollars and as a percent of local spending. Special reserve funds provide additional resources beyond Stabilization and Free Cash levels.



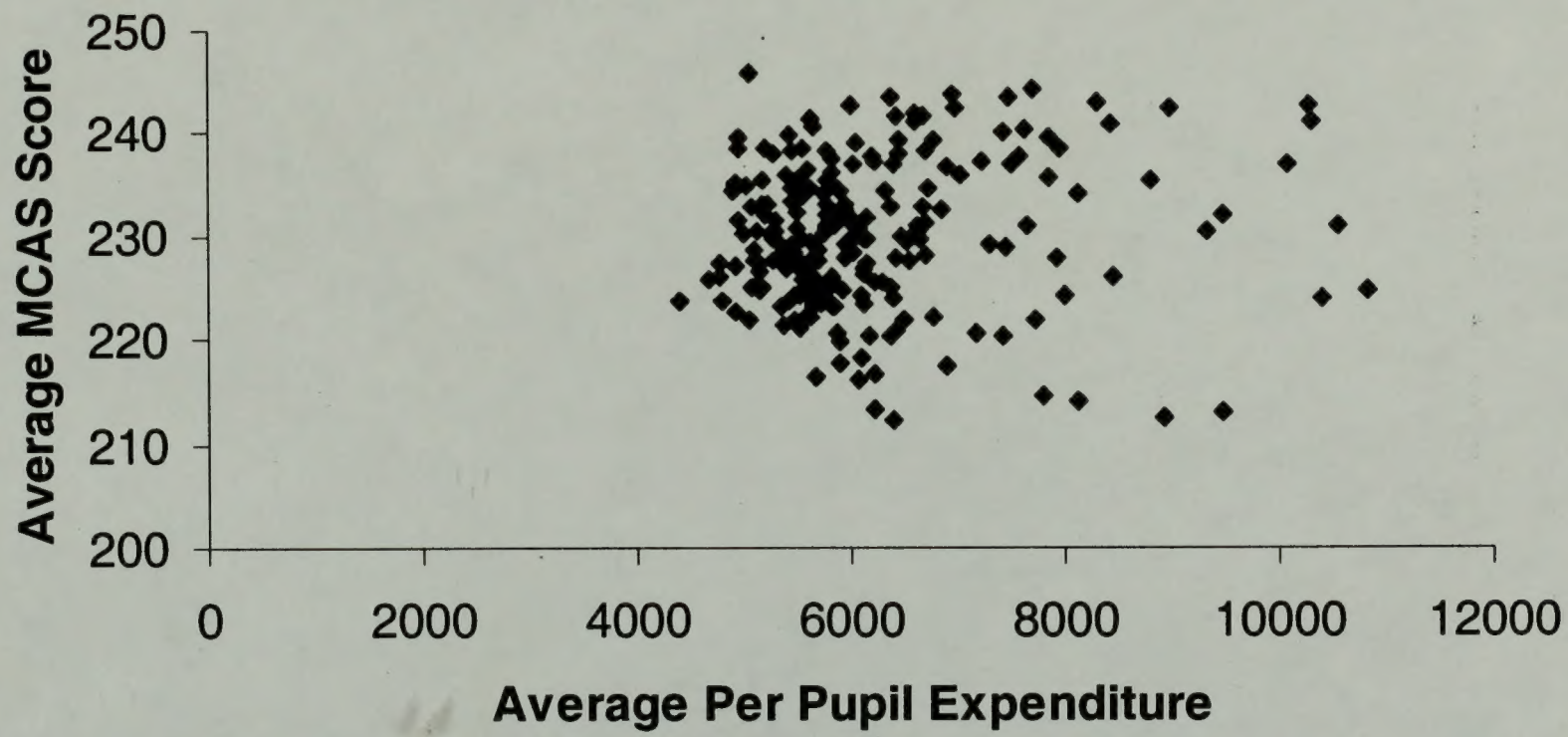
Note: Free Cash balances are as of July 1 of each year. Stabilization fund balances are as of June 30 of each year. Full data are not yet available for 1999, but among the 261 communities reporting stabilization fund balances, the total annual increase was 21%. Stabilization fund balances for 45 communities were taken from June 30, 1999 balance sheets; all others were from submitted schedule A forms. Among the 275 communities reporting Free Cash balances, the total annual increase was 1%. In instances where no 1999 balances were available, 1998 amounts were used. The City of Boston is not included in any of the figures above since 1994, even though Standard & Poor's Ratings service reports that Boston had reserves of $123 million in 1999.

Fact No. 14: Higher per pupil expenditure does not translate into higher academic achievement.

There is no systematic relationship between per pupil expenditure and MCAS scores, which underscores the need for policies that secure accountability and high standards.

10th Grade MCAS Scores and Per Pupil Expenditure For Non-Vocational Schools

(1998)



Source: MA DOE